



Railroad Commission of Texas
**Inactive Wells: Statewide Rule 15 Compliance
and Organization Report Renewal**
July 20, 2021

The meeting will begin shortly.





Inactive Wells: Statewide Rule 15 Compliance and Organization Report Renewal

Jennifer Gilmore
July 2021



Power Point Presentation



This presentation is available for download from the RRC website at

<https://www.rrc.texas.gov/oil-and-gas/workshops-and-conferences/rrc-regulatory-webinars/regulatory-webinars-2021-schedule/>



- Overview of Oil & Gas Statewide Rule 15
- The process of obtaining a plugging extension
- Filling out the form W-3C & W-3X
- Oil & Gas Statewide Rule 15 compliance related to acquisitions & mergers
- Enforcement process for non-compliance

Definition of an Inactive Well



Once a well has reached 12 consecutive months of no reported activity, the well becomes subject to Statewide Rule 14(b)(2) (plugging operations) unless the Commission approves a plugging extension under Statewide Rule 15.

Inactive Well Extension Requirements



- Operator has a current organization report
- Well is compliant with RRC rules and orders
- Operator has a good faith claim to a continuing right to operate the well
- For inactive land wells only
- Bay/Offshore wells are excluded from the following:
 - Completion of required surface equipment cleanup/removal and certification on Form W-3C
 - Application for plugging extension and qualification on Form W-3X

Inactive Well Listing



- The P-5 renewal packet is mailed out approximately 85 days prior to the P-5 due date.
- The P-5 renewal packet contains a listing of wells that have been inactive for 12 months or longer.



Definition of a producing well:

- For Oil Wells – 5 barrels for 3 consecutive months, or 12 months of at least 1 barrel of reported production.
- For Gas Wells – 50 MCF for 3 consecutive months, or 12 consecutive months of at least 1 MCF of reported production.

Inactive Well Listing (Example 1)



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(ORN014) RAILROAD COMMISSION OF TEXAS PAGE 1
LIST OF INACTIVE WELLS BY OPERATOR
ORGANIZATION REPORT (P5) RENEWAL DUE BY JULY 1 2014

OPERATOR > [REDACTED] # [REDACTED]

API NUMBER	LOCATION	COST CALC	SHUT-IN DATE	FORM W3C	INACTIVITY AS OF
O/G DIST LEASE WELL NO.	LEASE NAME	REQUIRED	P5 RENEWAL DATE		
039 32868 LAND		\$166,885	07/2008		6YRS 00MOS *
GAS 03 215086 2	RAYNOR				
393 20042 LAND		\$139,476	08/2012	Y	1YRS 11MOS
OIL 10 07665 4183	MORRISON				
393 30855 LAND		\$155,150	09/2009		4YRS 10MOS
OIL 10 07665 1183	MORRISON				

Surface Equipment Requirements (1 of 3)



Based on length of inactivity at P-5 renewal time determines what work the operator is required to do at the surface level:

- Inactive at least 12 months
- Inactive at least 5 years but less than 10 years
- Inactive at least 10 years



Ownership of Surface: (100% ownership interest held by operator of well)

- Need not purge fluids
- Need not remove equipment
- (Electricity must still be disconnected)



Commission recognized EOR project:

- May leave equipment intended for future use within the project in place.
- (Electricity must still be disconnected, and fluids must still be purged.)

Form W-3C (1 of 2)



RAILROAD COMMISSION OF TEXAS
Oil and Gas / Admin. Compliance
PO Box 12967
Austin, TX 78711-2967

CERTIFICATION OF SURFACE EQUIPMENT REMOVAL FOR AN INACTIVE WELL

Form W-3C
(Rev. 08/2019)

READ INSTRUCTIONS ON BACK

1. OPERATOR NAME exactly as shown on P-5, Organization Report	2. OPERATOR ADDRESS including city, state and zip code
3. OPERATOR P-5 NO.	

- If you are filing for a single well:

4. LEASE NAME as shown on Proration Schedule			5. FIELD NAME as shown on Proration Schedule	
6. API NUMBER 42-	7. RRC DISTRICT NO.	8. OIL LEASE / GAS ID NO.	9. WELL NO.	10. COUNTY

OR

- If you are filing for an attached listing of wells:

11. The _____ wells listed on the attached _____ pages. (See Instructions for listing requirements.) <small>Number of Wells Number of Pages</small>
NOTE: BY ATTACHING A LISTING OF WELLS, YOU CERTIFY THAT ALL WELLS ON THE ATTACHED LISTING HAVE BEEN PLACED IN COMPLIANCE WITH THE SURFACE EQUIPMENT REMOVAL REQUIREMENTS AS SPECIFIED BELOW.

Form W-3C (2 of 2)



I, the undersigned, certify that: (check all that apply)		Required for:
<input type="checkbox"/> A	electric service to the production sites for the well(s) identified above has been physically terminated, or the sites do not have electrical service. (See instructions.)	a well or wells which have been inactive for 12 months or longer.
<input type="checkbox"/> B1	all piping, tanks, vessels, and equipment associated with and exclusive to the well identified above have been emptied or purged of production fluids; OR	a well or wells that have been inactive for at least five (5) years but less than ten (10) years.
<input type="checkbox"/> B2	the operator owns the surface of the land where the well(s) is located.	
<input type="checkbox"/> C1	all surface equipment and related piping, tanks, tank batteries, pump jacks, headers, fences, and firewalls associated with and exclusive to the well(s) identified above have been removed, all open pits associated with and exclusive to the well(s) identified above have been closed and all junk and trash, as defined by Commission rule, have been removed*; OR	a well or wells that have been inactive for at least ten (10) years. * for additional information regarding wells identified as inactive more than 10 years as of 9/1/10, please see instructions and/or SWR 15(i)(5)
<input type="checkbox"/> C2	the operator owns the surface of the land where the well is located; OR	
<input type="checkbox"/> C3	the well is part of a Commission recognized EOR project and the equipment remaining on the lease is solely associated with current and future operations of the project.	
<input type="checkbox"/> D	I am unable to comply with the surface equipment cleanup/removal requirements due to safety concerns or required maintenance of the well site. I have attached a written affirmation of the facts regarding the safety concerns or maintenance and request a temporary exception. (Fee set under Rule 78, Tex. Nat. Res. Code §81.0521 & Tex. Nat. Res. Code §81.070) (\$375.00 fee per well)	See instructions and/or SWR 15(i)(3).

CERTIFICATION: I declare that the above certification(s) are based on my personal knowledge of the physical condition of the inactive well identified in this application, that this report was prepared by me or under my supervision or direction, and that I am authorized to make this report. I further acknowledge that this certification is made pursuant to the provisions of Texas Natural Resources Code Section 91.143, which relates to false filings of Commission reports, and provides for the Commission to levy an administrative penalty of up to \$1,000.00 for each false filing.

Signature

Name (print or type)

Title

Date

Phone No.

Cost Calculation



- “Cost Calculation”: Estimated plugging cost based on the average per-foot cost, by district, for state funded plugging operations in the previous fiscal year. Multiply that per-foot cost times the well depth according to Commission records.

Available on the RRC website:

<http://www.rrc.texas.gov/compliance/hb2259/HB2259-CostCalculation.pdf>

Inactive Well Listing (Example 2)



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(QRN014) RAILROAD COMMISSION OF TEXAS PAGE 1
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ORGANIZATION REPORT (P5) RENEWAL DUE BY JULY 1 2014

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393 30855 LAND		\$155,150	09/2009		4YRS 10MOS
OIL 10 07665 1183	MORRISON				



Operator of an inactive land well must:

- Apply for a plugging extension by filing Form W-3X
- Qualify for an extension under one of several options.

Three blanket options

Five individual well options



Blanket Options:

- 10% plugged/restored
- If publicly traded, secured creditor status.
- Blanket additional financial security

Individual Well options:

- Abeyance of Plugging Report (Fee required)
- EOR project status (Eligibility Required)
- H-15 well test (Fee and Eligibility Required)
- Additional financial security
- Escrow deposit (10% of "Cost Calculation")

Form W-3X (1 of 2)



RAILROAD COMMISSION OF TEXAS
Oil and Gas / Admin. Compliance
PO Box 12967
Austin, TX 78711-2967

APPLICATION FOR AN EXTENSION OF DEADLINE FOR PLUGGING AN INACTIVE WELL

Form W-3X

(Rev. 08/2019)

READ INSTRUCTIONS ON BACK

1. OPERATOR NAME exactly as shown on Form P-5, Organization Report	2. OPERATOR ADDRESS including city, state and zip code
3. OPERATOR P-5 NO.	

- If you are applying for a blanket plugging extension for all inactive land wells operated by this entity:

Blanket Extension Options (See Instructions)	
<input type="checkbox"/> A	The filing operator has plugged or restored to active status 10% of the number of inactive land wells operated at the time of the last annual renewal of the operator's organization report;
<input type="checkbox"/> B	The filing operator is a publicly traded entity and has filed with the Commission documentation naming the operator as "debtor" and the Railroad Commission of Texas as the "secured creditor" and specifies the funds covered by the documents in the amount of the cost calculation for plugging all inactive wells.
<input type="checkbox"/> C	The filing operator has submitted additional financial security covering the amount of the cost calculation for plugging all inactive wells or \$2 million, whichever is less.

OR

- If you are applying for a plugging extension for a single well:

4. LEASE NAME as shown on Proration Schedule			5. FIELD NAME as shown on Proration Schedule	
6. API NUMBER 42-	7. RRC DISTRICT NO.	8. OIL LEASE / GAS ID NO.	9. WELL NO.	10. COUNTY

Form W-3X (2 of 2)



Individual Well Extension Options (See Instructions)	
<input type="checkbox"/> D	The well identified above is covered by an abeyance of plugging report and the operator has paid the required filing fee and surcharge of \$250.00 under Rule 78 and Tex. Nat. Res. Code §81.070 (Please attach the abeyance of plugging report.)
<input type="checkbox"/> E	The well identified above is part of a Commission-approved EOR Project.
<input type="checkbox"/> F	The well identified above is not otherwise required by Commission rule or order to conduct a fluid level or hydraulic pressure test of the well, and the operator has conducted a successful fluid level or hydraulic pressure test of the well and has paid the required filing fee and surcharge of \$125.00 under Rule 78 and Tex. Nat. Res. Code §81.070 (The test results must be filed with the Railroad Commission on Form H-15.)
<input type="checkbox"/> G	The operator has filed additional financial security in the amount of the cost calculation for plugging the well identified above.
<input type="checkbox"/> H	The operator has filed an escrow fund deposit in an amount at least equal to 10% of the cost calculation for plugging the well identified above. (In the form of a certified cashier check or currency)

CERTIFICATION: I certify under penalties prescribed by the Texas Natural Resources Code 91.143 and the Texas Penal Code that, to the best of my knowledge, the information given in this application is true, complete, and correct.

Signature

Name (print or type)

Title

Date

Phone No.

Contact Person and Phone Number if different from above: _____

Well Transfers (1 of 2)



- If an inactive well is transferred to a new operator, the acquiring operator will have six months to bring the well into compliance
- Failure to bring the well into compliance will prevent approval of P-5 renewals and may result in revocation of the current P-5.
- Until the well is brought into compliance, it cannot be transferred to another operator.

Well Transfers (2 of 2)



- The transfer of wells will not reduce your 10% option well count.

Example: At the time of your last P-5 renewal your inactive well count was 56. You transfer 36 wells to another operator. The 10% number is still 6.

Surcharge



Inactive Well Filing Fees (Form W-3X)			
Abeyance of plugging report	100.00	150.00	250.00
Well test report filing fee	50.00	75.00	125.00
Rule Exception Fees	150.00	225.00	375.00

Adopted changes to Statewide Rule 78 as it applies to certain fees charged by the commission's Oil & Gas Division. Under Rule 78 as amended, surcharges have been imposed on certain fees as required to implement the provisions of Senate Bill 1 (82nd Legislature, First Called Session, 2011). The amendments to Rule 78 are effective as of May 1, 2012.

<https://www.rrc.texas.gov/oil-and-gas/applications-and-permits/oil-gas-fees-surcharges/>



- If you file everything needed for your P-5 renewal ***except*** for compliance with your inactive wells, then you are given a 90-day extension to complete those requirements.
- Your 90-day extension runs from the date your P-5 would have expired.

Rule 15 Compliance Timeline (2 of 3)



- If an operator is still non-compliant at the end of their 90-day extension, a second notice of non-compliance will be sent.
- An operator has 30 days from the date of notice to request a hearing. If you request a hearing, you must pay the cost for the hearing, which is a non-refundable fee of \$4,500.00.



Failure to respond within the 30-day period will begin the process to:

- Deny the P-5 renewal
- Issue Severance/Seal orders
- Collect financial security

P-5 Renewal Status Query



- Online system that provides information on the renewal process.
 - Specifically includes only the inactive wells in your P-5 renewal
 - Shows status of W-3Cs and W-3Xs filed on those wells

Expanded Web Access Query System:
<http://webapps2.rrc.texas.gov/EWA/inactiveWellStatusQueryAction.do>

Inactive Well Aging Report (IWAR)



- Online system with information needed to comply with Inactive Well (Rule 15) requirements. Includes:
 - Shut-in date
 - Depth
 - Cost Calculation amount
 - Current extension status
 - Downloadable data

Expanded Web Access Query System:
<http://webapps2.rrc.texas.gov/EWA/inactiveWellQueryAction.do>



Railroad Commission Website:
<https://www.rrc.texas.gov/>

Expanded Website Access (EWA) – P5 Query:
<http://webapps2.rrc.texas.gov/EWA/organizationQueryAction.do> (Data updated nightly)

Oil & Gas Directory: <https://www.rrc.texas.gov/oil-and-gas/research-and-statistics/operator-information/oil-gas-directory-operator-contact/> (Data updated monthly)

HB 2259 Information (Inactive Well requirements):
<https://www.rrc.texas.gov/oil-and-gas/compliance-enforcement/hb-2259-hb-3134-inactive-well-requirements/>

Questions?



Please contact us
with any questions you may have.

P-5 Department: 512-463-6772

P5@rrc.texas.gov



Evaluation

- Please complete the evaluation available on the RRC website at <https://survey.alchemer.com/s3/6403402/2021-RRC-Regulatory-Webinars-Oil-Gas-and-Pipeline-Safety-Evaluation>

Archive Video

- A link to the archive video of the webcast will be available on the same webpage as the presentation.